STATE OF NORTH DAKOTA

BEFORE THE COMMISSIONER OF INSURANCE

In the Matter of the Application of Pioneer Mutual Life Insurance Company to Reorganize Into and Under American United Mutual Insurance Holding Company of Indiana	)))))	**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER GRANTING APPLICATION WITH CONDITIONS** **CASE NO. CO-00-032**

INTRODUCTION

Pioneer Mutual Life Insurance Company, a North Dakota mutual life insurance company ("PML") formally filed with the North Dakota Department of Insurance (the "Department") on August 10, 2001, an Application containing a Plan of Reorganization adopted on May 16, 2001, by the Board of Directors of PML to reorganize from a mutual insurance company to a stock insurance company under the control of OneAmerica Financial Partners, Inc., an Indiana stock holding company ("OneAmerica") which is in turn a wholly-owned subsidiary of American United Mutual Insurance Holding Company, an Indiana Mutual Insurance Holding Company ("AUMIHC") as permitted by N.D. Cent. Code Chapter 26.1-12.1 (the "North Dakota Mutual Holding Insurance Company Law"). The Plan of Reorganization was amended on August 27, 2001, pursuant to Section 15.1.4 of the Plan to make a number of ministerial changes (as amended, the "Plan"). Under the provisions of the North Dakota Mutual Holding Company Law, the Commissioner of Insurance for the State of North Dakota (the "Commissioner") must hold a public hearing and then approve or reject the Plan. If the Commissioner approves the Plan, the members of PML (the "Members") will have the right to vote on whether the reorganization should occur. The Plan shall serve as the basis for the Member vote.

Under the law, the Commissioner's function is to determine whether PML has shown, by a preponderance of the evidence, that the Plan meets the statutory requirements of N.D. Cent. Code §§ 26.1-12.1-04 and 26.1-12.1-06. The Commissioner cannot consider evidence that is not part of the record. If the statutory burden is met, PML can then submit its Plan to a vote of its eligible Members, who must approve the Plan by a vote of a majority of the eligible Members voting in person or by proxy in order for the Plan to be implemented. The Members voting on the Plan must constitute at least 10% of the total number of eligible Members. Thus, the Commissioner is limited by law to evaluate a specific application made under the North Dakota Mutual Holding Company Law, and the evidence presented in the record, and cannot substitute his business judgment for that of the Board of Directors of PML or impose a different business strategy on PML. Whether PML is pursuing an appropriate business strategy will ultimately be determined by PML's eligible Members when they vote on the Plan.

Based upon the Application (including exhibits), other filings, the Plan, records, and the public hearing in the above-captioned matter, the undersigned Commissioner makes the following:

FINDINGS OF FACT

I. Procedural History

1. PML is a North Dakota domestic mutual life insurance company.

2. OneAmerica is an Indiana stock holding company, all of the issued and outstanding stock of which is owned by AUMIHC.

3. AUMIHC is an Indiana Mutual Insurance Holding Company.

4. On May 16, 2001, the Board of Directors of PML unanimously adopted a Plan of Reorganization by resolution, and authorized management to file the Plan of Reorganization with the Commissioner.

5. On May 30, 2001, PML forwarded a copy of the Plan of Reorganization to the Commissioner, but the Plan of Reorganization was considered incomplete by the Department at that time, and thus was not considered formally filed.

6. On August 10, 2001, a Plan of Reorganization was formally filed with the Department. This Plan of Reorganization, as filed, reflected, in part, comments of the Department and its advisors.

7. On August 27, 2001, a First Amended Plan containing a number of ministerial changes was filed pursuant to and under Section 15.1.4 of the Plan. This First Amended Plan was the proposed Plan as to which a hearing was held on September 6, 2001.

8. PML proposes to reorganize under the North Dakota Mutual Insurance Holding Company law by merging its policyholders' members' interest into AUMIHC, and then continuing the corporate existence of PML as a stock insurance company subsidiary of an intermediate stock company of AUMIHC, to-wit, OneAmerica, whose stock is wholly-owned by AUMIHC (the "Reorganization"). The membership interests of Members of PML are to be converted into members' interests in AUMIHC. Policyholders of PML, as that term is defined in the Plan, will become members of AUMIHC according to the Articles of Incorporation and Bylaws of AUMIHC. PML's policyholders' contractual rights will remain with PML. AUMIHC will, directly or indirectly, control at all times a majority of shares of the capital stock of PML, and OneAmerica.

9. Pursuant to N.D. Cent. Code § 26.1-12.1-06, a public hearing was held on September 6, 2001, at 9:00 a.m. at the Fort Union Room of the North Dakota State Capitol, Bismarck, North Dakota (the "Hearing"). Notice was mailed to each Member and policyholder of PML (Exhibit 14.2(a) to the Plan). Also, mailed with the notice were a number of frequently asked questions and answers which had previously been submitted to the Department for review and comment. All comments of the Department had been incorporated into these documents.

10. Policyholders and other interested parties were notified by the notice that they could attend the Hearing and present evidence, examine and cross examine witnesses, and offer oral and written arguments regarding the Plan. In addition, they were notified that they could give to the Commissioner written comments about the Plan prior to the Hearing, with these comments then being considered by the Commissioner.

11. The persons who appeared at the Hearing on behalf of the Department, in addition to Commissioner Jim Poolman were Charles E. Johnson, Department General Counsel; Douglas Holloway, Deputy Insurance Commissioner; and Patrick Cantilo of the law firm of Cantilo and Bennett, L.L.P., the Department's Special Counsel. PML was represented by attorney Lyle W. Kirmis of the Zuger Kirmis & Smith law firm.

12. At the Hearing, PML presented witnesses who gave direct testimony in support of the Application and Plan, and who were available for questioning by the Commissioner and the Department's Special Counsel as to the matters relevant to the Application and Plan. PML's witnesses were Douglas Oksendahl, President and Chief Executive Officer and Member of the Board of Directors of PML; Gregory Morris, Vice President, General Counsel, Treasurer, and Corporate Secretary of PML; Tom Nucaro, a tax advisor to PML

from KPMG, L.L.P.; Richard Browne, an actuarial advisor to PML from KPMG, L.L.P.; Scott Davison, Vice President of Corporate Planning of American United Life Insurance Company ("AUL") which is a separate wholly-owned subsidiary of OneAmerica; and William Brown, General Counsel and Secretary for AUMIHC.

13. The Department participated in the Hearing through the questioning of PML's witnesses by the Commissioner and the Department's Special Counsel, and through the presentation of testimony through Tim Hill, Financial Analyst for the Department.

14. The Department received two items of public input.

15. The only other person who was present at the Hearing was PML's Actuary, Graham Larson, who was not called as a witness.

16. The Commissioner completed the Hearing at approximately 12:00 noon, and the record was closed at that time.

II. Description of PML and Affiliates

17. PML is a North Dakota domiciled mutual insurance company. PML was formed in 1868 as a fraternal benefit society called the Ancient Order of United Workmen. On January 1, 1948, the Ancient Order of United Workmen changed its name to Pioneer Mutual Life Insurance Company, at which time PML became a mutual life insurance company. PML's executive offices are located in Fargo, North Dakota. As a mutual company, PML has no capital stock and no stockholders.

18. PML's primary business is the offering of individual life insurance and annuity products. These product lines include a single premium interest sensitive whole-life policy, a series of term policies, fixed and flexible premium universal life policies, single and flexible premium deferred annuities, and single premium immediate annuities offered on both a qualified and non-qualified basis.

19. As of December 31, 2000, PML had total statutory surplus of $33,529,568. PML markets its products through a personal producer general agent system with approximately 800 independent agents under contract. PML employs approximately 65 people in its headquarters. PML is authorized to conduct business in 39 states and the District of Columbia. PML is currently rated by A.M. Best Company, Inc. as B++ (Very Good).

III. Description and Company's Rationale for the Proposed Mutual Holding Company Reorganization

20. PML proposes to reorganize as a stock insurance company subsidiary of OneAmerica. All of OneAmerica's issued and outstanding stock is owned by AUMIHC. Currently a member of PML has both contract rights under a policy of insurance or annuity contract issued by PML and a "Membership Interest" (as defined in N.D. Cent. Code § 26.1-12.1-01) in PML. Under the Reorganization, the Membership Interest in PML will be

exchanged for a Member's Interest (as defined in Indiana Code 27-14-1-21) in AUMIHC. PML will continue its corporate existence as a stock life insurance company organized under North Dakota law, and will use the name Pioneer Mutual Life Insurance Company, a stock subsidiary of American United Mutual Insurance Holding Company, as allowed by N.D. Cent. Code § 26.1-12.1-01(12). The reasons for the use of this name are set out in the Plan. In order to allow PML to effectively convert to the use of a new name format without requiring immediate replacement of all policy forms, application forms, marketing materials, notices, invoices, and account statements, stationery, annual reports, and promotional materials, PML will phase in the use of the new name as such existing materials are used with PML being fully converted to the name format by June 30, 2002. A Member's contract rights (e.g., rights to participate in dividends, if any, or payment if a policyholder dies or surrenders a policy) will reside with reorganized PML. The Member's interest consisting of (i) voting rights of a Member and (ii) the right to receive cash, stock, or other consideration in the event of a conversion of AUMIHC to a stock form, or a dissolution, will reside with AUMIHC.

21. Immediately after the Reorganization is completed, all of the shares of the voting stock of the reorganized PML will be owned by the Indiana intermediate stock holding company OneAmerica, which in turn will be a wholly-owned subsidiary of AUMIHC. After reorganization, AUMIHC will at all times, in accordance with the Plan, the Indiana Mutual Holding Company Law, and the North Dakota Mutual Holding Company Law, directly or indirectly control PML through the ownership of at least 51% of the shares of the voting capital stock of OneAmerica. Upon reorganization, AUMIHC will own 100% of the voting capital stock of OneAmerica, which in turn will own 100% of the voting stock of PML.

22. The Reorganization does not involve an initial public offering of any capital stock of PML.

23. Representatives of both PML and AUMIHC testified that neither currently has any plans to offer for sale PML's capital stock after Reorganization, but that this could occur in the future. AUMIHC has also testified that while it has no plans to offer for sale the capital stock of OneAmerica at this time, this also could occur in the future. In the event of a future initial public offering, or other stock issuance, by OneAmerica, AUMIHC's ownership in OneAmerica would be reduced. Although AUMIHC's ownership interest may be reduced, it must at all times have the power to cast 51% of the votes in all matters submitted to the vote of the holders of all equity securities of OneAmerica. In addition, AUMIHC must retain the right to receive 51% of all dividends declared on equity securities of the reorganized PML or OneAmerica. In the event of an initial public offering, PML, AUMIHC and OneAmerica will not grant stock options to directors, officers, or senior management until six months after the public trading of the stock has begun and none will be offered at a price under the full market value of the security on the date it was granted. PML, AUMIHC and OneAmerica will not issue stock to its directors, officers, or senior management except stock of classes publicly traded and no securities will be sold to directors or officers at a price less than the fair market value of the security. No dividends or other distributions will be made to shareholders if

reorganized PML fails to pay policyholder dividends in compliance with its dividend practice. Any future offering of voting capital stock in any initial public offering of PML would be subject to the approval of the Commissioner as well as the Indiana Insurance Commissioner. Any future offering of voting capital stock of OneAmerica would be subject to the approval of the Indiana Insurance Commissioner.

24. In the Plan (including exhibits) and in testimony presented at the Hearing, PML discussed the reasons for the proposed Reorganization. PML points out that as a mutual insurance company, with limited access to capital, it may be unable to grow its business rapidly enough to provide cost-effective products and services. Douglas Oksendahl, President and Chief Executive Officer and Member of the Board of Directors of PML, testified that in the opinion of the Board of Directors and the management team of PML, the financial services industry is going through substantial changes and will continue to experience changes in years to come; and that these changes require companies to have expertise in many areas of financial resources to support the change. Further, industry consolidation is requiring competitors to have extensive products and services supported by improved economies of scale. In order for PML to remain a successful company now and in the future, PML must put itself in a position to change and adapt to the changing business environment. To achieve this, PML must be able to grow through research and development of competitive insurance products that meet the needs of PML's customers, maintain a sound investment policy, achieve improved economies of scale, and invest in technology and support of services and operating needs.

Mr. Oksendahl also testified that in selecting AUMIHC, PML utilized an internal search committee supported by a consultant with extensive background in merger and acquisition work as well as extensive industry contacts. PML reached the opinion that AUMIHC's mutual culture was a good fit for PML; that its size, financial status, and level of resources were such that PML could achieve enhanced operating performance jointly with AUMIHC and AUL; and that as a separate operating subsidiary of AUMIHC, PML could retain its market identity and continue providing services to its policyholders. Mr. Oksendahl testified that PML's surplus in regard to the policyholders following the reorganization is reasonable in relation to PML's outstanding liabilities and adequate to its financial needs; and that this surplus will be further supported upon reorganization through the guaranty of reserves by AUMIHC. Mr. Oksendahl testified PML will be able to satisfy all of the requirements necessary to write those lines of insurance for which it was licensed before the Reorganization; and that PML further commits and intends that the Plan be fair, reasonable, and equitable to all of PML's Members and Policyholders.

Upon questioning from the Commissioner, Douglas Oksendahl testified that initially 10 to 12 employment positions in Fargo are probably going to be lost, but that it is the hope of the Board of Directors of PML that employment will grow in the future so that these 10 to 12 positions may be recovered, and there is also the possibility for even greater employment at the Fargo offices than presently exists. Mr. Oksendahl further testified, upon questioning from the Commissioner, that the Board of Directors had considered the possibility of full demutualization and had come to the conclusion that the size of PML would not allow PML to do an effective demutualization or an initial public offering in the open market. PML also looked at a sponsored demutualization. The full discussions regarding these issues are a part of the Plan, but it was determined that these alternatives were not feasible or desirable for PML. In addition, Douglas Oksendahl testified that there would still continue to be the potential for full demutualization of AUMIHC in the future and that, in the opinion of the Board of Directors of PML, PML can build value to allow for the possibility of demutualization in the future for AUMIHC members, although there are no present plans for demutualization and if, and when, any such decision was made, it would have to be made by AUMIHC.

Douglas Oksendahl further testified, upon questioning from the Commissioner, that while no specific analysis has been conducted to try to quantify the effect on the Member of reduced voter control disclosed in the Plan, it is the belief of the Board of Directors of PML that after the Reorganization, the Members of PML, collectively, while having a reduced percentage membership of AUMIHC, will have a reduced membership percentage of a bigger entity that is in a position to grow faster than PML before Reorganization. In addition, if one of the benefits of reorganization is an improved financial rating for PML, PML's strength to honor its policyholder commitments will be enhanced.

25. Gregory D. Morris, Vice President, General Counsel, Treasurer, and Corporate Secretary of PML, provided detailed testimony as to PML's compliance with notice and other legal requirements. He testified in detail regarding the proceedings used in the mailing of the Notice of the Hearing, and the procedures to be used in mailing out the Notice of Special Meeting of Eligible Members, which will be accompanied by the Plan and additional frequently asked questions and answers, which have been submitted to the Department for review and comment, with all comments of the Department having been incorporated into these documents. Mr. Morris provided detailed testimony demonstrating that PML's schedule of eligible members presents fairly, in all material respects, a reasonable and complete listing of voting eligible members and will do so as of September 15, 2001 (the "Record Date").

By direct testimony, and response to questioning, Mr. Morris further testified that any list of PML of its Members or Policyholders contains confidential trade secrets which may also be subject to statutory confidential protection as an insurance company customer list. Upon questioning from the Commissioner, Mr. Morris testified that the current reorganization would not affect PML's current dividend practices which will remain the same after reorganization.

Mr. Morris provided detailed testimony indicating that all of the requirements of N.D. Cent. Code § 26.1-12.1-04 regarding the required contents of the Plan are, or will be, fully met when the additional Plan amendments (set out on Exhibit 9 at the Hearing) are adopted by the Board of Directors. He also provided detailed testimony that the requirements for the approval of the Plan by the Commissioner under N.D. Cent. Code § 26.1-12.1-06 are met. In that regard, his testimony pointed out that the North Dakota Act does not require PML to show that the mutual insurance holding company structure is fair, reasonable, and equitable since the North Dakota legislature has already decided this by providing for reorganization of a mutual insurance company into such a structure. Nor does the North Dakota Act require that PML show that a mutual holding company's reorganization is more fair, reasonable, or equitable than a demutualization or other alternative since otherwise the North Dakota legislature would not have provided for a mutual insurance holding company reorganization as an alternative to demutualization. What PML must show, in part, is that the Plan is fair, reasonable, and equitable to its Members and policyholders. Gregory D. Morris presented testimony as to this fact. Gregory D. Morris also provided general testimony as to the protections provided by the surplus protection principle of the Indiana Insurance Company Holding Act, which are also fully disclosed and discussed in the Plan.

Upon questioning from the Commissioner and the Department's Special Counsel, Mr. Morris further testified that PML has been working on the Reorganization for over one year. That the Plan, before it was filed with the Department, was submitted to Department's Counsel and Special Counsel for review and comment; PML made changes in response to the comments and input from the Department's Counsel and Special counsel. PML has not refused to make any requested changes. Mr. Morris did testify that Section 9.11 of the Plan does not specifically refer to an insolvency of PML as being a condition in which the assets of AUMIHC would be available to satisfy policyholder obligations of PML, even though the Articles of Incorporation of AUMIHC do refer to a possible insolvency of a subsidiary of AUMIHC (which would include reorganized PML). Mr. Morris testified that if the Commissioner required further amendment to Section 9.11 of the Plan, PML would submit this amendment to its Board of Directors for adoption.

26. Tom Nucaro, Tax Managing Director with KPMG, L.L.P., ("KPMG") testified that KPMG has acted as PML's independent auditor and tax advisor for several years. KPMG has been retained for two special projects relating to the proposed Reorganization. KPMG assisted in identifying and analyzing the significant potential tax advantages and disadvantages of the new structure, and also prepared a private letter ruling request on PML's behalf asking the Internal Revenue Service to issue certain rulings as to federal tax consequences of the Reorganization to both PML and its policyholders. Mr. Nucaro reviewed the potential tax advantages and disadvantages of the Reorganization, which are also discussed in the Plan. He testified that KPMG ran a number of different scenarios and assumptions regarding future tax effects of the various sections in order to try to predict whether the federal income tax benefits would be greater or less than the federal income tax deficits. After a careful analysis, it was determined that there was no way to predict whether the benefits would be greater or lesser than the detriments; but that any net effect would not be considered significant in comparison to the other business advantages of the Reorganization.

Mr. Nucaro also testified that KPMG has submitted a private letter ruling to the Internal Revenue Service on behalf of PML seeking 17 rulings which will cover all of the items as to which the Plan states that letter rulings will be requested. Upon questioning, Mr. Nucaro testified that the status of these is that the request has been made and that an expedited consideration has been requested.

Mr. Nucaro testified that the Internal Revenue Service has previously considered the federal tax consequences that would be involved in the Reorganization in connection with other private letter rulings, and that, accordingly, he anticipates that private letter rulings will be issued before the effective date of the Reorganization. Mr. Nucaro testified that in the event private letter rulings are not issued by the effective date, KPMG is prepared to issue opinions as to the federal tax consequences of the matters as to which opinions have been requested and that the opinions will provide to the PML policyholders the same comfort, as to the issues opined upon, as being provided to PML by the opinions. Upon questioning, Mr. Nucaro testified that a private letter ruling of the Internal Revenue Service does provide greater reliance for a taxpayer since it can be relied upon 100% by the taxpayer as to issues addressed; while an opinion from KPMG only provides a level of protection in that it provides the opinion of KPMG as to how the Internal Revenue Service will rule if the issue is brought to the Internal Revenue Service; but the Internal Revenue Service is not bound by KPMG's opinion. He further testified that, however, the Internal Revenue Service does not normally take a position different from previous letter rulings or prior positions and that these previous letter rulings or prior positions would be the basis for any KPMG opinion.

Upon questioning from the Commissioner, Mr. Nucaro discussed the effects of the reorganization on Internal Revenue Code Sections 808 and 809 relating to deductions for policyholder dividends. The Commissioner notes for the record IRS Rev. Rul. 99-3, ruling that a life insurance subsidiary of a mutual holding company is not considered a mutual life insurance company for which the deduction for policyholder dividends is reduced pursuant to Sections 808 and 809 of the Internal Revenue Code. Section 809 of the IRC identified the nondeductible portion of policyholder dividends issued by mutual companies to their policyholders as the owners of the company. Section 808 provides the deductions and amount of deductions. During questioning, Mr. Nucaro discussed possible effects on PML’s policyholders after the reorganization and whether or not this would have an impact on PML. Mr. Nucaro testified that the differential earnings amount would be difficult to calculate and would remain an unknown during the reorganization, however he did not foresee that this would have a negative impact on policyholders of PML or PM’s dividend practices.

27. Richard H. Browne, Senior Manager with the firm of KPMG, and an actuary, testified that he had reviewed Exhibit 3.3(a) of the Plan which sets out the dividend practices of PML to be applied post-reorganization. He testified that he had issued the statement of actuarial opinion included in the Plan as Exhibit 4.5, which provides an opinion as to the fairness to current participating policyholders of PML of the intended dividend practices following Reorganization in accordance with the Plan. He identified matters he reviewed in issuing the opinion, which matters are also identified in the opinion. He reaffirmed his opinion that the dividends practices contained in the Plan will allow for allocation of divisible surplus in a manner that is consistent with PML's current and historical dividend practices; that it is fair to current participating policyholders from an actuarial perspective; and that the categories of policies included in the post-reorganization

dividend practices for which the policyholders are to be provided assurances regarding PML's intended dividend practices are appropriate.

Mr. Browne also testified regarding the provisions of the Plan that will require PML to deliver to the Indiana and North Dakota Commissioners annually a certificate of an actuary, and a certificate of an independent auditor, insuring compliance by PML with the dividend practices disclosed in the Plan. He also identified portions of the Plan that allow the Indiana Commissioner to extend the requirement of delivering the certificates for a period beyond the initial three years upon certain conditions, and that provide for the ability of both the Indiana Commissioner and the North Dakota Commissioner to take action to compel compliance with the dividend practices should no report be filed, or should the report indicate that PML is not in compliance. He also provided further testimony as to PML's dividend practices with regard to individual participating traditional life insurance, as well as the general process PML has followed each year to determine its dividend scale.

28. Scott Davison, Vice President of Corporate Planning for AUL, testified that AUMIHC and AUL have the full ability and commitment to support the goals and objectives of PML, including financial strength of AUMIHC and AUL, complimentary distribution and products, and similarities in mutual culture. He testified that AUL is a large profitable insurance group with a history that can be traced back to 1877. It has strong franchises in group annuities, individual life annuities, reinsurance, employee benefits, and credit insurance. Its revenues and earnings are well diversified. It is one of the strongest and most financially sound companies in the industry as evidenced by an AA- (very strong) rating by Standards and Poors, an AA rating by Fitch, an A (excellent) rating by A M Best, and an A1 (good) rating by Moody’s. AUL has over 600 million dollars in combined statutory capital and surplus, and over 800 million dollars in combined GAAP equity. It has a leverage ratio of, approximately, 8% with a very strong investment portfolio with good yields and low exposure to risky investments (such as junk bonds). He testified that AUMIHC, as the mutual insurance holding company of AUL, has the resources to keep its promises to pay.

Mr. Davison further testified that AUMIHC has a mission and a set of values that it believes will serve the policyholders of PML well by providing security and value which values are derived from AUL's midwestern and mutual roots, and that the values applied to all of the subsidiaries and affiliates of AUMIHC will apply to PML in equal fashion. He further testified that the products and distribution systems of AUMIHC, AUL, and PML are complimentary, and that AUMIHC has a broad multi-channel distribution system and a broad array of products that compliment PML's strengths so that together PML, AUL, and AUMIHC can grow faster by capitalizing on each other's strengths. He testified that growth is the core business of both companies and that this will be allowed by the Reorganization. He further testified that Pioneer will benefit from the Reorganization by combining with a larger and stronger company which provides more protection for policyholders than exists today; that there is a strong chance that PML's ratings will increase which will help agent recruiting significantly and sales; that PML will more readily and cheaply access outside capital as a part of AUMIHC; that PML will have access to AUL's and AUMIHC's products and product development expertise that they are unlikely to access on their own; that PML will have access to AUMIHC's and AUL's distribution with their own products; and that PML will have greater flexibility to affiliate, merge, or combine with other insurers or financial institutions in the future. He further testified that PML will be able to enjoy greater scale, and access special headquarter operation expertise, of the larger organization.

Mr. Davison further committed on behalf of AUMIHC that the Plan will be administered in a manner that is reasonable, fair, and equitable to all members of AUMIHC, including the new members that become a part of AUMIHC on account of the reorganization.

Upon questioning by the Commissioner, Mr. Davison testified that there is no present intent to demutualize on the part of AUMIHC, but that the discussion does come up from time to time. AUMIHC has a projection of capital needs, under certain scenarios, for the next five years, and in most cases believes that it is self sufficient without trying to raise equity capital; therefore, a public stock offering is also not presently contemplated. While demutualization is not a present intent, it would be a possibility in the future depending upon what develops; although in no event is it possible to draw a conclusion that AUMIHC is going to demutualize. Upon questioning, Mr. Davison also testified that the ratings for PML cannot be improved on account of the Reorganization until after the transaction is complete. Upon further questioning by the Commissioner, Mr. Davison testified that AUMIHC has a commitment in the affiliation agreement to continue a presence in Fargo for a period of time; but that it is the present intention of AUMIHC to have a Fargo presence indefinitely. He testified, upon questioning, that there are certain benefits to AUMIHC from the reorganization that would be lost if the Fargo presence did not exist.

29. William Brown, General Counsel and Secretary for AUMIHC, responded to questions from the Commissioner as to the status of the Indiana Commissioner's approval of the Plan. He testified that, he believed, the Indiana Commissioner was waiting to find out the position of North Dakota as to the Reorganization. He testified that special counsel for the Indiana Commissioner had recently raised some questions regarding PML's new name; and this issue was still being discussed. He was aware of no other substantive issues under discussion with the Indiana Commissioner or the Indiana Commissioner's special counsel.

IV. Department's Witnesses

30. The Department called Tim Hill, the Department's Financial Analyst. Mr. Hill's resume was introduced as Hearing Exhibit 12. Included within Mr. Hill's work experience is a prior period of employment with PML, giving him some additional insight into PML's operations. Mr. Hill testified that he had looked at Pioneer's financial documents. He had also reviewed the financial documents of AUMIHC. He had also reviewed the Plan, and considered the potential effect on PML's future operations as compared to operations before Reorganization. Mr. Hill testified that in his opinion the reorganization will not have an adverse impact on policyholders of PML. He further testified that in his opinion

the surplus in regard to the policyholders following the reorganization of PML is reasonable in relation to PML's outstanding liabilities and financial needs after Reorganization. He also testified that in his opinion PML's eligible policyholders will receive a member's interest in AUMIHC commensurate with an equitable share of the value of PML. He also testified that in his opinion PML, after Reorganization, will be able to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it was licensed before reorganization.

He also testified that in his opinion the Plan is fair, reasonable, and equitable to the policyholders of PML. He further testified that he saw no reason that the Reorganization would result in any changes in premiums to policyholders of PML. He also saw no reason why there would be any reduction in surplus, by a material amount, due to the Reorganization. He testified that the surplus of PML is $34,000,934 at the present time, versus a required surplus of one million dollars. He further testified that the RBC ratio of PML is 741%; and that the Commissioner is not required to take any regulatory action until the RBC ratio falls to 200% or lower meaning that, in his opinion, there is a very adequate RBC percentage ratio for PML. He testified that all of his opinions were based on his training, industry experience, and the review of the materials and financial information. In conclusion, he testified that in his opinion the Plan complies with the requirements of N.D. Cent. Code § 26.1-12.1-06.

V. Consideration of Public Input

31. The Commissioner raised questions regarding Exhibit 10 which was an ad in a newspaper indicating that PML, in the fall of 2000, had not considered an alternative demutualization offer which would have generated payments to PML's Members. Douglas Oksendahl answered questions from the Commissioner regarding this ad. Douglas Oksendahl testified that the matter referred to was a proposal placed before PML after PML had already committed to reorganization with AUL/AUMIHC. In addition, Mr. Oksendahl testified that the proposal, while generating distributions to the Members, would not have been in the best interests of the Members of AUMIHC when compared to the total surplus. Under the proposal, a significant amount of money would have been distributed, or paid, immediately or over time, to employees or members of the Board of Directors. Mr. Oksendahl testified that the proposal was considered by the Board of Directors, but was determined to not be in the best interests of the policyholders or Members.

32. The Commissioner also inquired regarding Exhibit 11, which was a letter from a policyholder opposing the Reorganization and raising questions regarding future policyholder's contract benefits. Mr. Oksendahl reaffirmed that the Reorganization will not affect any of the policy rights of any policyholders.

CONCLUSIONS OF LAW

1. The Commissioner concludes that the Plan will fully meet all of the requirements of the contents for a plan of reorganization as set out in N.D. Cent. Code § 26.1-12.1-04 upon

amendment of the Plan to incorporate those amendments set out in Hearing Exhibit 9 (attached hereto) and an amendment to Section 9.11 of the Plan inserting the words “an insolvency or” before the phrase “formal rehabilitation” in the first line.

2. The Commissioner concludes that the North Dakota act does not have a specific requirement regarding the notification required before the public hearing conducted by the Commissioner. However, the Commissioner concludes that PML has provided such notice as agreed upon by the Commissioner's office with PML and as set forth in the Plan.

3. The Commissioner concludes that the Plan meets the requirements of N.D. Cent. Code § 26.1-12.1-06, and specifically (a) PML's surplus in regard to policyholders following the Reorganization will be, and is, reasonable in relation to PML's outstanding liabilities and financial needs after the Reorganization, (b) that the eligible members of PML will receive a member's interest in AUMIHC commensurate with an equitable share of the value of PML, (c) that after the Reorganization, PML will be able to satisfy the requirements for the issuance of a certificate of authority to write the lines of insurance for which it was licensed before the Reorganization, and (d) that the Plan is fair, reasonable, and equitable to the policyholders of PML.

4. The Commissioner concludes that the Plan complies with the North Dakota Mutual Insurance Holding Company law.

5. The Commissioner concludes that PML's procedures for identification of, and notification to, eligible members presents fairly, in all material respects, a reasonable and complete listing of voting eligible members as of the Record Date, and will provide eligible members notification of the special meeting to be held regarding adoption of the Plan.

6. The Commissioner hereby approves the Plan conditioned upon PML making those amendments to the Plan set out in Exhibit 9 at the Hearing (attached hereto) as well as that further amendment to Section 9.11 of the Plan set out in Conclusion of Law paragraph 1 above.

7. The list of policyholders of PML, and their addresses, attached to Hearing Exhibit 5 are Trade Secrets of PML and are entitled to confidential treatment.

ORDER

NOW, THEREFORE, THE COMMISSIONER HEREBY ORDERS:

1. The proposed mutual holding company reorganization of PML, pursuant to and subject to the terms and conditions of the Plan, as amended pursuant to the amendments identified herein, is hereby approved.

2. The implementation of the Plan is hereby conditioned upon (a) approval of the Plan by the Indiana Commissioner of Insurance, (b) providing of notice to eligible members as required by N.D. Cent. Code § 26.1-12.1-08 of a special meeting of the eligible members

called for the purpose of considering the Plan and any corporate action that is a part of, or reasonably attendant to, the accomplishment of the Plan; (c) the amendment of the Plan by the Board of Directors of PML to incorporate those amendments identified herein; (d) the approval by eligible members of the Plan pursuant to provisions of N.D. Cent. Code § 26.12.1-09, (e) receipt of the opinions or rulings required by Sections 3.12, 14.7, and 14.8 of the Plan, (f) compliance with Section 14.4 of the Plan by obtaining the Commissioner's permission for completion of reorganization after filing of minutes of a special meeting with the North Dakota Commissioner, and (g) compliance with N.D. Cent. Code § 26.1-12.1-13 of the Plan by submitting amended and restated Articles of Incorporation of PML to the Attorney General for the State of North Dakota.

3. The list of policyholders of PML, and their addresses attached to Hearing Exhibit 5, shall be sealed from public disclosure.

4. Any Finding of Fact, designated as such, which is more appropriately a Conclusion of Law, and any Conclusion of Law, designated as such, which is more appropriately a Finding of Fact, shall be accorded the proper character and construed as to give effect to all of the provisions herein.

DATED this 8th day of October, 2001.

____

Jim Poolman
Commissioner
N.D. Insurance Department
600 East Boulevard Avenue
Bismarck, ND 58505
(701) 328-2440

PIONEER MUTUAL LIFE INSURANCE CO.

Exhibit 9

MEMO

DATE: September 4, 2001

TO: Commissioner Jim Poolman

FROM: Greg Morris

RE: Proposed Amendments to First Amended Plan

As a result of our continuous review of the Plan and related documents we are recommending the following changes be made to the Plan in conjunction with any additional changes required as a result of the Public Hearing. These changes will be included in a Second Amended Plan.

We propose the following:

Page 6, the definition of "Eligible Member" will be changed to:
"Eligible Member" means a Member of PML as of the Record Date.

Page 7, the definition of "Member" be changed to:

"Member" means, prior to the Effective Date a Policyholder and, after the Effective Date, a person who is a member of AUMIHC as defined in the articles of incorporation or bylaws of AUMIHC.

"Policyholder" means a person who is listed in the records of PML as (i) a person named as the insured or annuitant in a Policy which designates such Person as the member by imprint on the Policy cover, unless such membership is transferred to the owner of the Policy, in which event the owner of the Policy becomes the sole Policyholder, or (ii) a person named as owner in a Policy which designates such Person as the member by imprint on the Policy cover, unless such ownership, including membership, is transferred to a new owner of the Policy, in which event the new owner of the Policy becomes the sole Policyholder. In the case of Policies described in clause (i) of the preceding sentence, the Policy owner is not the Policyholder, and the insured or annuitant is the Policyholder even though the insured or annuitant is not the Policy owner. Where a Policy names two or more Persons jointly as insureds, annuitants or owners, such persons shall be deemed to be one Person for the purpose of exercising or transferring membership rights. A Person insured under a certificate issued under a group policy is not a Policyholder.

As a result of the above changes a number of additional changes will be required.

Page ii of the Table of Contents 5.2.7 "Policyholder" will be changed to "Policy".

Page 4, first paragraph 4th line the word "policyholder" will be capitalized.

Page 5, in the definition of "Certificate of Actuary" "policyholder" will be changed to "policy".

Page 11, in 3.1, the first line "policyholder" will be capitalized and "/or" will be added after "and" in the second sentence.

In 3.1, the second paragraph second line "policyholders" will be capitalized.

Page 17, in Section 3.10 the last paragraph the last sentence "members" will not be capitalized.

Page 19, in Section 3.15, the fourth paragraph "policyholders" will be capitalized.

Page 23, in Section 5.1.3, the first word of the ninth line, "policyholders" will be capitalized.

Page 25, in 5.1.11 the last word in the first paragraph, "policyholders", will be capitalized.

Page 26, in 5.2.1 in line 4 the word "policyholders" in two places will be capitalized.

In 5.2.3 the fourth line the word "policyholders" will be capitalized.

Page 28, in 5.2.6 the last sentence delete ", and policyholders,".

In 5.2.7 the first word "Policyholders" will be changed to "Policy".

Page 29, in 5.2.9, the last full line change "policyholder" to "policy".

Page 31, in 5.5.1 the second to the last sentence will be deleted.

In 5.5.2 in the fifth line "policyholder" will be capitalized.

Page 32, in 5.7, the 6th line "policyholders" will be capitalized in two places.

Page 33, in 5.8.1, the third full paragraph "policyholder" in the first line, "policyholders" in the second line and policyholder in the fourth to last line will be capitalized.

In 5.8.1 the fourth paragraph line 3 "policyholder" will be capitalized.

Page 34, in 5.8.1, line 6 the word "policyholders" will be capitalized.

Page 35, in 5.9.2 the third line the word "policyholders" will be capitalized.

Page 36, in 5.9.3 the second line the word "policyholders" will be changed to "members".

In 5.9.4 lines 2, 6 and 7 the word 'policyholders" will be changed to "members".

Page 37, in 5.9.5 line 6 and 7 the word "policyholders" will be capitalized.

In 5.9.6 line 4 the word "policyholder's" will be changed to "member's".

Page 38, in 5.10 the 8^{th} line, 5.12 the third line and 8^{th} line the word "policyholders" will be changed to "members".

In 5.11, line 5, the word "policyholders" will be capitalized.

In 5.12, line 8, "Membership Interests" will be changed to lower case.

Page 39, in 5.18 the 10^{th} line the word "policyholders" will be capitalized.

Page 42, in 7.6 the last line of the first paragraph the word "policyholder" will be replaced with "policy".

Page 44, in 8.2.2 line 2 and 3 and 8.2.7 line 2 the word "policyholder" will be capitalized .

Page 45, in 9.1.3 the second to the last line the word "Members " will be changed to lower case.

Page 50, in 11.2, line 13 on the page the word "policyholder" will be capitalized.

In 11.3 line 4 the word "policyholder" will be replaced by "policy".

Non-related changes are set out below.

Page 13, add the following sentence at the beginning of the fourth paragraph of Section 3.5 of the Plan. "No member of the Board of Directors is required to own a policy of insurance issued by Reorganized PML or AUL."

Page 51, Section 11.7 the word "divisibile" will be changed to "divisible."

Page 56, the date "August 8" will be changed to the date the Second Amended Plan is adopted.